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SUBJECT: THE IMPORTANCE TO IRAQ'S POST-WAR ECONOMY
OF ENDING SANCTIONS NOW

1. SUMMARY AND ACTION REQUEST: ORHA believes that its success in administering the newly liberated Iraq will depend significantly on stimulating early economic activity and sending a message of hope for their economic future to the Iraqi people. ORHA proposes to encourage trade with, and investment by, historic neighboring trade partners as part of an effort to help "jump start" Iraq's economy. This cannot occur without lifting United Nations and U.S. bilateral sanctions that bar imports and exports to and from Iraq except under the provisions of the Oil for Food program. Accordingly, ORHA requests that Washington agencies work with the international community to end sanctions on Iraq's economy as soon as possible. END SUMMARY AND ACTION REQUEST.

2. The strategic end state we seek in Iraq is:

"A unified Iraq, with an Iraqi national identity that respects tribal, ethnic and religious heritages. Governed by a broad-based, freely elected government that adheres to the rule of law, Iraq is neither a threat to the region nor a supporter of WMD or terrorism. The nation will adopt and develop a viable, free market-based economy."

3. ORHA (The Office of Reconstruction and Humanitarian Assistance), led by LTG (R) Jay Garner, and initially a component of the Coalition Provisional Authority will work to return the control of Iraq back to a duly constituted government of Iraq as soon as possible. ORHA may be viewed as the first step in that process. ORHA is establishing itself in Baghdad and elsewhere in Iraq as circumstances permit. ORHA will address immediate humanitarian assistance requirements and will establish civil administration and reconstruction priorities.

4. As noted above, a key reconstruction priority is setting the stage for a free market-based economy in Iraq. ORHA recognizes that creating an institutional and policy framework conducive to the development of a free market-based economy, led by the private sector, will require short, medium and long-term efforts. Many of the medium (90 days to six months) and long-term efforts (six months to two years) will entail international assistance programs that will last beyond ORHA's mandate. In the short-term ORHA will focus on actions that can stimulate activity in the Iraqi economy and send a message of hope to the Iraqi people for their economic future and enable Iraq's private sector to start to contribute.

5. ORHA has developed an "Iraq Economic Jumpstart Program." The objective of the program is to allow Iraqis to realize an immediate improvement in their lives and to allow normal economic activity to begin to operate during the first 90 days. The elements of the program include trade, finance, investment, and other measures as follows:

-- Work with the international community to quickly lift sanctions on trade, commerce, and investment.

-- Issue emergency payments of USD20 to all civil servants who return to work.

-- Place top priority on supplies of water, electricity and fuel.

-- Open borders to traditional trade partners.

-- Declare a 90-day tariff holiday.

-- Challenge all international assistance donors to use Iraqi businesses and workers whenever possible.

-- Remove all barriers to internal trade except safety and security standards.

-- No currency will be denied validity including the Iraqi Dinar, Old Iraqi (liberation) Dinar and US Dollars with exchange rates determined by the market.

-- Immediate attention to restoring a functioning banking system.

-- Immediately assist Iraq in restoring relations with the IMF and World Bank.

-- Implement USAID and other USG assistance to Iraqi businesses - e.g. USAID micro credit programs.

16. Trade and investment will be a key source of reconstruction resources for Iraq. To that end, several of the elements of ORHA's "Economic Jumpstart Program" focus on trade - open borders for trade, a 90-day tariff holiday, removing internal barriers, etc.

17. U.S. and United Nations sanctions against Iraq make all trade with Iraq except as allowed via the cumbersome mechanism of the Oil for Food program contrary to international law. Yet the justification for such sanctions no longer exists in the post Saddam regime era. Economic sanctions are central to the average Iraqis daily perceptions. Further, maintaining sanctions sends the worst possible message to the average Iraqi regarding the intent of the Coalition, the United States and the international community. Accordingly, ORHA urges that Washington agencies work with the international community to end the application of sanctions to trade by Iraqi business and citizens as soon as possible.

JONES